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Instructions On File***GENERAL**

1. Views on Soviet-Finnish pact negotiations---US Ambassador Smith in Moscow reports that the Finnish delegation in Moscow appears to be encouraged by the progress of the negotiations for a mutual assistance pact. Smith surmises that the USSR will probably demand another base in Finland and a general defensive treaty. Smith thinks that the Kremlin will not require the complete military and industrial integration provided for in other Soviet-Satellite treaties.

(CIA Comment: The USSR will probably not insist at present on obtaining additional bases in Finland. More likely, the Soviet Union will continue to demand that the Finns grant the right to move Soviet forces into Finland in case of the "threat" of aggression as well as in the event of "open" war.)

EUROPE

2. GERMANY: Soviet motives in threatening breakup of ACC---US Ambassador Murphy believes that the primary considerations of the USSR in bringing the present Allied Control Council (ACC) machinery to a standstill are: (a) increasing concern over the effect on the Soviet position in Germany of both the present tripartite discussions on Germany and the fusion of the US and UK Zones; (b) possible difficulties in the administration of the Soviet Zone as a consequence of the present four-power regime in Berlin and free communications to Berlin from western Germany; and (c) a possible desire to use Berlin as the capital of a German government based on the "German Peoples Council" following the breakup of the ACC. Murphy points out that US withdrawal from Berlin, either voluntary or involuntary, would have severe psychological consequences at this critical stage in the European situation.

(CIA Comment: CIA concurs with the opinion of Ambassador Murphy. CIA believes, furthermore, that the maintenance or the loss of the Western position in Berlin will go far toward determining whether Western or Soviet influence will eventually dominate not only in Germany but in all Western Europe.)

State Dept. review completed

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3. **CZECHOSLOVAKIA:** Reported significance of 23 May elections --
US Ambassador Steinhardt believes that the Czechoslovak Cabinet decision to hold elections on 23 May is a Communist attempt to "legalize" the recent coup and to influence both domestic and foreign opinion by erecting a "democratic facade." Steinhardt adds that the Communists are assured in advance of a majority because: (a) opposition parties have been reduced to complete subservience; (b) many opposition voters will be disenfranchised; and (c) fear and opportunism are driving thousands to join the Communist Party. Steinhardt comments that the Communists are in a position to announce any desired result whether there is a heavy non-Communist vote or not.
4. **GREECE:** Possible effects of Italian elections --AMAG Chief Griswold expresses the opinion that, if the Communists win either a victory or near victory in the Italian elections, the US should be prepared for an adverse Greek reaction which might easily develop into inflationary and political panic. Griswold accordingly recommends: (a) the granting to him of full authority to deal with any situation that may arise; (b) the assurance of an adequate gold supply to combat excessive pressure on the gold market; and (c) in the event of an unfavorable result in the Italian elections, the issuance of a reassuring US statement, emphasizing particularly that food supplies will continue to arrive regularly in Greece.

NEAR EAST-AFRICA

5. **TURKEY:** Turks cool toward joint declaration with Greece --
US Ambassador Wilson in Ankara has been informed by Secretary General Carim of the Turkish Foreign Office that present official Turkish thinking is that a joint Turco-Greek political declaration (as suggested by Greek Foreign Minister Tsaldaris) would be inadvisable. Carim stated that present ties between Greece and Turkey could be strengthened only by a military alliance, which is "undesirable under present conditions." Carim added it is

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opinion that the concept of an Eastern European pact among Greece, Turkey, and Arab states is "utterly unrealistic" because Greece cannot maintain internal order, Turkey is subject to pressure from the USSR, and the Arab states lack any real military potential.

6. **INDIA: Indian Kashmir operations may be broadened**--A high official of the Government of India requested the US Embassy in New Delhi to notify the Department of State that unless the Kashmir dispute is settled soon, India will probably feel compelled to take additional military action in Kashmir, even though the dispute is still pending before the UN Security Council. The Embassy comments that, although the Indian spokesman apparently wished to avoid the impression that he was making a threat, the statement seemed to be a warning that India would pursue the Kashmir campaign energetically in the future.

(CIA Comment: Despite an improvement of India-Pakistan relations generally, improved weather conditions and the continued UN impasse have been expected to bring an intensification of India's military action in Kashmir. The present statement, however, is the first official notice of such plans.)

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